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Subject: RE: Eeu bounding scenarios

Folks,

Thx to Blair for running these bounding scenarios.

Now that we have these, I would like us to revisit what I believe is our objective in developing scenarios for the February 21 EEU workshop. I was asked to help coordinate the development of 1 or more scenarios (up to three) that would answer the question of how the EEU they would implement their program activities at different funding levels or policy guidance. This follows the initial presentation Blair made in early December presenting his Scenarios 1 and 2. My understanding of the primary purpose of these (and later) scenarios was that they were intended to inform our judgement about what is practical or feasible for the remainder of the 2006 season (and potentially future years). The scenarios developed for the Feb. 21 workshop were also intended to provide (i) some details of implementation, (ii) a better understanding of the impacts on realized savings from removing certain policy constraints, and (iii) details to allow the Department to estimate rate impacts.

Having developed these bounding scenarios, I don't feel that further scenario development will be fruitful. Given where we are at, I recommend that we limit further scenario development until the Board and the parties have established a proposal for the end-of-year budget. Blair has proven that he can respond to any request for changes in program design in short order. Some refinement of the information already developed should give us plenty to discuss on Feb. 21.

As you know, the Department is working on an update of the potentials analysis. We will present our analysis, along with an assessment of rate impacts in late March (28th). The discussions that follow will then, together with the information developed by the EEU concerning design and feasibility, inform the Board's review of the EEU budget for the latter half of 2006. I plan to work with Blair to incorporate any information that would help us to develop rate impacts of some of the scenarios already developed, but I think we need further scenarios at this juncture. We can use Feb. 21 workshop to discuss further details associated with relevant scenarios. If others would like to see further scenarios developed, the deadline for filing comments or recommendation is still January 6, 2005. The Board can then decide whether any

further scenario analysis is warranted for the Feb. 21 workshop.

Thx, Riley